

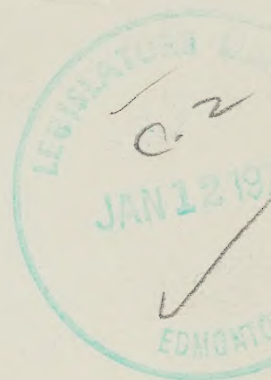
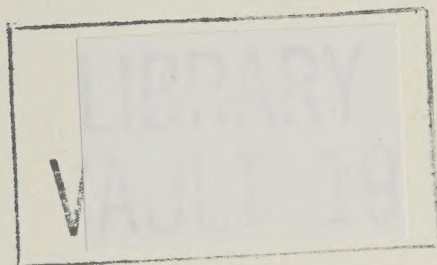
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ALBERTA GOVERNMENT TELEPHONES

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His Honor,
J. W. Grant MacEwan,
Lieutenant Governor of the Province of Alberta,
EDMONTON, Alberta.

Sir:

I have the honour to present the 59th Annual Report of the Alberta
Government Telephones Commission for the year ended December 31, 1970.

I have the honour to be, Sir,

Your obedient servant,
RAYMOND REIERSON,
Minister of Telephones.

HIGHLIGHTS

	1970	1969
Construction Expenditures	\$ 88,200,000	\$ 69,700,000
Number of Telephones (System Owned)	508,244	468,371
Long Distance Messages	43,536,765	38,833,822
Total Plant Investment	\$547,102,502	\$476,406,341
Total Revenues	\$109,906,693	\$ 98,847,686
Rate of Return on Rate Base	6.6%	6.8%
Net Income	\$ 5,742,717	\$ 6,756,310

ANNUAL REPORT 1970

FINANCIAL REVIEW

Alberta's economy continued to expand during 1970 but at a somewhat slower rate than in recent years. Farm Cash Receipts did not attain the record level of 1968, but surpassed the 1969 level by \$64,000,000 to reach \$702,000,000. Mineral Production increased 15% to \$1,393,503,480. Manufacturing shipments were valued at \$1,942,000,000 an increase of \$87,000,000 over the previous year. Construction during 1970 was estimated at \$1,707,560,000 — almost \$90,000,000 more than 1969.

While the Alberta economy slowed marginally in 1970, Alberta Government Telephones continued to show steady growth.

Operating Revenues continued to grow with the increased expansion of Alberta Government Telephones, however at a lesser rate of increase than that recorded in 1969. Operating Expenses with higher wages and increased material costs showed a greater rate of increase and this, coupled with the increased cost of capital, resulted in a lower Net Income for the year.

Operating Revenues for 1970 amounted to \$109,906,693, an increase of 11.2% over 1969.

Operating Expenses in 1970 amounted to \$84,810,032, an increase of 12.7% over 1969.

Net Operating Revenue amounted to \$25,096,661 and represents a 6.6% return on the calculated rate base.

The net Debt Service Charges amounted to \$19,111,197, an increase of 14.9% over 1969.

Net Income from telephone operations amounted to \$5,985,464 and after deducting operating costs of \$242,747 for Radio Station CKUA this leaves a Net Income of \$5,742,717.

During the fiscal year a total of \$80,000,000 in debentures was issued by the Commission. The capital thus acquired was used for modernization of facilities, the 1970 construction program, to retire debt obligations due, and for sinking fund requirements.

Maturity	Rate of Interest	Currency	Amount
Dec. 1973	7¾%	Canadian	\$20,000,000
Mar. 1990	9%	Canadian	15,000,000
Sept. 1990	8¼%	Canadian	20,000,000
June 1994	8%	U.S.	5,000,000
Jan. 1995	9½%	U.S.	20,000,000

Canadian debentures due March and September, 1990, provide the right of repayment, at the holder's option, on March 1st and September 1st, 1975, respectively.

In light of declining interest rates in the short-term Canadian Capital Market toward the end of the year, the Commission sold three-year debentures in the amount of \$20,000,000 in December. These debentures carry an interest rate of 7¾%. The issue received very good market reception and was quickly subscribed in full.

Population growth and industrial expansion throughout the province continue at an accelerated pace. As a result, further substantial amounts of capital will be required to provide communications facilities to meet constantly increasing demands for the system's services.

EXCHANGE GROWTH

Major equipment installations during the past year included #5 Crossbar switching facilities at Grande Prairie and the first SF-1 switching machine in the AGT system in the new Community Dial Office at Spruce Grove. Eleven other new Community Dial Offices were brought into service.

Construction began on the following additional toll facilities: the Calgary-Aldersyde coaxial cable system; one leg of the Edmonton Metropolitan Junction; the Edmonton-Leduc-Calmar-Breton coaxial system; replacement of open wire from Vegreville to Lloydminster and the Banff-Lake Louise coaxial system.

Favorable progress was maintained on AGT's large program of building construction. The two major projects — Edmonton's new Toll Building and the new Alberta Telephones Tower prove striking additions to Edmonton's sky-line. Construction of the \$7,000,000 Toll Building was completed and installation of #4A switching equipment begun. The 35-storey Alberta Telephones Tower exterior construction was virtually complete at

RURAL EXPANSION

year-end. New exchange buildings at Calgary (Bonavista) and Edmonton (West Jasper Place) were constructed and installation of #5 Crossbar equipment begun.

During 1970, approximately 8,000 miles of buried cable and wire brought service to 40 new rural areas. This total includes 470 miles of cable extensions to existing areas. Four-party, divided-ring service was extended to approximately 12,000 existing applicants and an additional 3,000 potential subscribers at a cost of \$10,700,000.

To date \$51,300,000 has been invested in AGT's buried cable program which will ultimately bring four-party, divided-ring telephone service to virtually all rural subscribers in Alberta. Approximately 42,800 miles of cable and wire have been buried and facilities installed to provide service to more than 48,800 applicants.

LONG DISTANCE INCREASE

In 1970, AGT recorded 42,915,798 completed long distance messages—an increase of 11.3% over the previous year.

Type	Number	% Increase Over	
		% DDD	1969
Operator handled	19,447,649		.5
Customer dialed	23,468,149		22.2
	43,536,765	54.7	11.3

In addition 620,967 TWX messages were completed over the long distance network, representing an increase of 25.7% over the same period in 1969.

The toll network was increased by 336 toll circuits, 85 of which were added to meet the requirements of the Trans-Canada Telephone System.

For the third consecutive year, long distance traffic volumes made it possible for AGT and Canadian National Telecommunications to reduce long distance rates between Alberta and the Yukon Territory.

Early in 1970 AGT introduced the "Sunday-50 Plan" for a three-month trial period. This plan enables Albertans to call anywhere in the province on Sundays for a maximum of 50 cents for 3 minutes and 16 cents for each additional minute, on

DDD calls (station-to-station calls in non-DDD areas). The response to the new service during the trial period was excellent and the plan was retained on a permanent basis.

The international, three-digit Emergency Number (911) was introduced at Calgary and Red Deer. Direct Distance Dialing was brought into service in Grande Prairie.

OTHER DEVELOPMENTS

Arrangements were made with the licensed Cable Television Operators in Calgary and Edmonton for acceptance of the "10-City Plan" AGT proposed to the Canadian Radio-Television Commission (CRTC) at the May, 1970, public hearings. The "10-City Plan" calls for distribution of two Spokane, Washington, TV channels to licensed cable television systems authorized to receive and distribute American television channels in Alberta's 10 cities. The Spokane signals—one educational and one commercial channel—will be received off-air at Mt. Kelly in southern B.C. and transmitted over the telephone system microwave facilities. The plan is an entirely new concept for inter-city distribution of American TV signals and apportionment of costs to each cable television undertaking. This concept meets the CRTC guidelines announced in April, 1970. When applications for cable television systems in remaining Alberta communities are submitted and approved by the CRTC, AGT will arrange extension of American channels if and when economically feasible.

The AGT computer installation was upgraded to an IBM System 360 Model 65 to provide higher processing speed, greater memory storage and increased through-put. Modifications and upgrading of the Computer Operating System were completed to facilitate more effective computer utilization and control.

AGT converted Phase 1 of the Trans-Canada Centralized Message Data System in November. With this system, AGT's computer communicates with a Bell Canada computer in Toronto to transmit and receive out-of-province collect Long Distance messages. This new system also connects with its U.S. counterpart and substantially speeds exchange of this type of billing information between telephone companies in both countries.

OUR EMPLOYEES

Participation in the activities and planning of the Canadian Service Agreement Companies - B.I.S. (CANSAC - BIS) consortium required considerable resource application. This consortium was formed to undertake telephone computer project development on behalf of, and in co-operation with, all "Service Agreement" Companies to obviate parallel development and resource application.

The Commission recognizes that employees are the most important resource in the system and their conscientious efforts were a major factor in completing yet another successful year.

A Manpower Planning and Organization section was introduced to the Personnel Department to better utilize and develop these human resources.

While recognizing personal growth may be considered primarily a personal responsibility, system planning has ensured opportunities for growth are available on the job.

The Management Training and Development Program, begun in 1965, with a basic Management Induction Training Course, was expanded to twelve courses in 1970 with the addition of a Labor Relations Course and a course in Planning, Organizing and Controlling. Interest in the entire program has maintained a high level over the years due to improvements in the many facets of its operation.

The economy and employment situations of the country were reflected in the employment statistics. Movement in the employment area was stabilized considerably. Permanent full-time employees now number 6,999 — 3,742 male and 3,257 female.

On July 1, 1970, legislation became effective which brought AGT within the regulations of the Alberta Labor Act. Since AGT has historically attempted to parallel applicable provisions of the Act, it is expected this legislation will have little bearing on the working conditions of the employees. However, the act now officially provides an opportunity for employees, if they so desire, to select a bargaining agent of their choice through the certification provisions of the Act.

Negotiations with The International

Brotherhood of Electrical Workers, Local 348, representing Plant, General Services, General Construction and Traffic Employees resulted in a two-year agreement covering the period May 1, 1970, to April 30, 1972. A one-year agreement with the Clerical Employees terminates April 30, 1971.

The Safety-Glasses Eye-Protection program, begun in 1967, has effectively demonstrated its worthiness with twenty documented Wise Owl Awards presented to date.

PENSION FUND

AGT continues to offer a wide program of employee benefits—medical, hospital, group insurance, paid sick leave, generous vacation allowance and pension benefits. Participation in the three benefits of Medicare, Blue Cross and Group Insurance reached a record level in 1970 with 85% of the employees enrolled in Medicare, 78% in Blue Cross, and 92% in Group Insurance. Continuing studies toward improvements in the service are carried out throughout the year.

In 1970 each AGT employee received, for the first time, a brochure "Your Benefits Report" containing fully detailed up-to-date statistics of the benefits accruing to the specific employee. The information which was compiled and prepared with the aid of a computer was exceptionally well received.

As at December 31, 1970, there were 6,154 employees participating in the Pension Scheme, 2,570 females and 3,584 males—a total increase of 524 employees. Pensions were paid to 259 pensioners for a total of \$61,850.51 a month.

The par value of securities held in the Pension Fund Investment Portfolio on December 31, 1970, was \$42,449,157.00, an increase of \$5,418,859.00 over the previous year. In addition, there was a cash balance of \$366,116.00 available for investment; \$423,790.00 accounts receivable, representing Commission and employee contributions; and a further \$564,341.00 accrued interest and dividends.

An actuarial valuation of the Pension Scheme was completed, as required every three years, and adjustments were made to pensions paid which recognized the increase in the cost of living.

Another record year of development for AGT is indicated with the forecast of the largest Capital Expenditure Program ever undertaken by AGT—\$91,470,000.

A total of \$11,500,000 has been forecast for central office exchange equipment. Dial additions will cost \$3,500,000 and provide increased services in a number of exchanges throughout the province. The largest additions will take place at Calgary (Forest Lawn), Calgary (Killarney), Ellerslie, Namao, Lethbridge and Jasper Place. The addition at Calgary (Forest Lawn) will go into service in 1972—the additions at Ellerslie and Namao will provide service to the new areas of Mill Woods and Ascot Park until such time as new permanent exchanges are installed.

Equipment for new dial offices throughout the province will require expenditures of approximately \$3,800,000. Calgary (Bonavista) and Edmonton (West Jasper Place) will go into operation in 1971. An expenditure of \$1,950,000 will be made at Calgary (Oakridge) in preparation for service in 1972. New Community Dial Offices will be placed in operation at: Bocket, Jenner, Longview, Schuler, Wandering River, Morley, Sunchild O'Chiese, Blueridge, Silver Valley and Assumption.

Expenditures on replacement offices during 1971 are expected to be \$4,200,000 with the major portion to be spent at Calgary (Bowness) where \$3,148,000 will be involved. Grande Cache and Ferintosh replacement offices will be completed this year.

Outside Plant exchange cable to serve new areas throughout the province is expected to cost \$4,250,000.

In 1971, \$18,400,000 is expected to be spent on toll equipment and facilities.

Some of the major toll projects to be included are:

Lethbridge - Medicine Hat microwave radio relay system	\$ 964,000
Lethbridge - Pincher Creek- Crowsnest microwave radio relay system	\$1,203,000
Metropolitan Junction Plan development	
Calgary - Aldersyde ...	\$1,068,000
Calgary - Cheadle	\$1,954,000
Edmonton - Kavanagh..	\$1,018,000

It is expected a further \$5,400,000 in expenditures will be incurred in the

Edmonton Toll Office in 1971. This cost will be associated with the switching and toll equipment for the new office.

Construction Expenditures of \$9,250,000 are anticipated in conjunction with the completion of the new Head Office Building.

In 1971, an additional amount of \$10,500,000 will be required for the Rural Conversion Program. Over 8,000 miles of buried cable and wire will provide service for an additional 10,000 subscribers and 4,500 prospective subscribers.

TCTS OPERATIONS

The member companies of the Trans-Canada Telephone System made an initial purchase of shares in Telesat Canada in December. AGT's allotment of this purchase was 93,300 shares. Telesat is the corporation jointly owned by the Federal Government and the telecommunications common carriers to establish a domestic satellite communications system. This system will provide additional facilities for northern Canada and long haul telecommunications in southern Canada.

AGT personnel participated in the preparation of the TCTS briefs to the Telecommission. The Telecommission was established by the Federal Department of Communications to study all phases of telecommunications in Canada. The report of the Telecommission will be presented in 1971 and is expected to contain suggestions for proposed regulatory legislation of certain aspects of the industry.

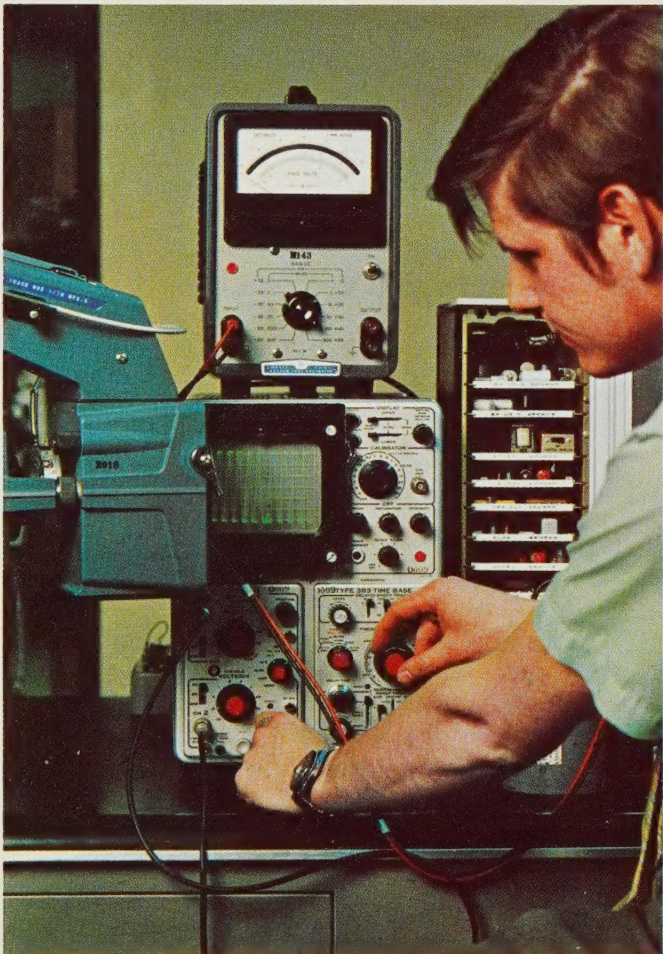
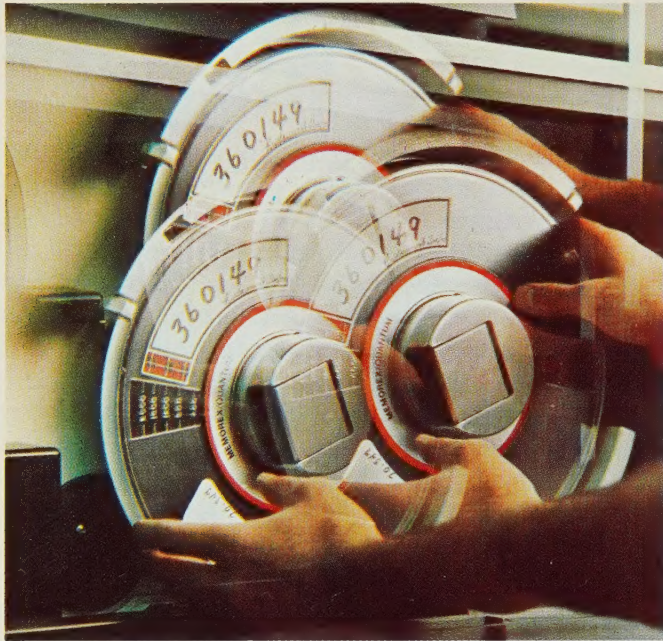
Member companies of the TCTS offered customers medium and high-speed Multicom Service during 1970. AGT is participating with other TCTS member companies in carrying out a major nation-wide Data Communications Research Program involving a broad selection of business customers across Canada.

The Alberta - British Columbia section of the Northern Inter-Provincial Radio System was placed in service in the fall of 1970. The new system provides an essential addition to communications circuits from Central and Northern Alberta to the West Coast and Eastern Canada via the TCTS. This new section also provides alternate routing of calls to and from Southern Alberta.

On numerous occasions customer requirements necessitate specially designed communications equipment. Here an engineer uses complex testing instruments to measure the standards of equipment built to a customer's specifications.

AGT's modern computer processes millions of bits of information, producing employees' pay cheques, customers' telephone bills, directory listings and many other forms of statistical data.

Regular and thorough maintenance of huge banks of switching equipment and thousands of miles of wire help maintain AGT's high standards of service throughout the system's 350 automatic dial exchanges.



FINANCIAL STATEMENTS

GOVERNMENT OF THE PROVINCE OF ALBERTA

OFFICE OF THE PROVINCIAL AUDITOR

Edmonton, March 11, 1971

The Alberta Government Telephones Commission
EDMONTON, Alberta

I have examined the Balance Sheet, the Statement of Net Long Term Debt and the Pension and Death Benefit Fund Balance Sheet of the Alberta Government Telephones Commission as at December 31, 1970, and the Statements of Surplus, Income, Source and Application of Funds and the Pension and Death Benefit Fund Statement of Operations for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Alberta Government Telephones Commission as at December 31, 1970, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



C. K. HUCKVALE, F.C.A.
Provincial Auditor.

BALANCE SHEET AS AT DECEMBER 31, 1970

(with comparative figures as at December 31, 1969)

ASSETS

	1970	1969
Telephone property, at cost:		
Land, buildings and equipment	\$ 500,860,925	\$ 451,069,010
Less: Accumulated depreciation	117,092,108	102,257,457
	<u>\$ 383,768,817</u>	<u>\$ 348,811,553</u>
Plant under construction	46,241,577	25,337,331
Materials and supplies	9,208,487	6,747,145
	<u>\$ 439,218,881</u>	<u>\$ 380,896,029</u>
Investments, at cost:		
Telesat Canada common shares	\$ 933,000	—
Current:		
Cash on hand and in banks	\$ 4,024,277	\$ 33,427
Short term deposits, including accrued interest	10,055,445	—
Accounts receivable, less allowance for doubtful accounts	14,371,720	14,877,374
Prepaid expenses	1,239,861	1,145,614
	<u>\$ 29,691,303</u>	<u>\$ 16,056,415</u>
Deferred charges:		
Expenses re inventory of outside plant and application for rate increase	\$ 1,154,300	\$ 1,833,806
Unamortized debenture discount	4,366,933	3,633,560
	<u>\$ 5,521,233</u>	<u>\$ 5,467,366</u>
Trust funds:		
Pension and death benefit fund, Statement F	\$ 43,803,404	\$ 38,032,043
Government of Canada bonds	1,224,971	1,016,676
Employees' group life insurance	201,247	176,368
	<u>\$ 45,229,622</u>	<u>\$ 39,225,087</u>
	<u>\$ 520,594,039</u>	<u>\$ 441,644,897</u>

The accompanying notes are part of these financial statements.

GOVERNMENT OF THE PROVINCE OF ALBERTA

ALBERTA GOVERNMENT TELEPHONES COMMISSION

LIABILITIES

	1970	1969
Long term debt, Statement D:		
Debentures payable (Note 1)	\$ 382,685,000	\$ 311,365,000
Deduct: Sinking fund assets (Note 1)	24,552,621	19,406,542
	<u>\$ 358,132,379</u>	<u>\$ 291,958,458</u>
Advances from Provincial Treasurer (Note 2)	33,717,407	36,757,923
	<u>\$ 391,849,786</u>	<u>\$ 328,716,381</u>
Unamortized exchange, net, on United States funds (Note 3)	<u>\$ 13,275,291</u>	<u>\$ 11,704,963</u>
Current:		
Matured debentures and coupons	\$ 596,849	\$ 718,811
Less: Cash provided for redemption	596,849	718,811
	<u>\$ 8,035,492</u>	<u>\$ 6,606,158</u>
Accounts payable	3,981,520	3,298,775
Wages payable	7,507,851	6,042,005
Accrued interest	2,169,452	2,041,156
Unearned revenue	<u>\$ 21,694,315</u>	<u>\$ 17,988,094</u>
Surplus, retained for investment in plant, debt redemption and working capital, Statement B	<u>\$ 48,545,025</u>	<u>\$ 44,010,372</u>
Trust:		
Pension and death benefit fund, Statement F:		
Accounts payable	\$ 26,121	\$ 3,857
Pension and death benefit reserve	43,777,283	38,028,186
	<u>\$ 43,803,404</u>	<u>\$ 38,032,043</u>
Employees' accounts	386,097	330,362
Bond instalments payable	1,040,121	862,682
	<u>\$ 45,229,622</u>	<u>\$ 39,225,087</u>
	<u>\$ 520,594,039</u>	<u>\$ 441,644,897</u>

This is the Balance Sheet referred to in my report of March 11, 1971, addressed to the Alberta Government Telephones Commission.



C. K. HUCKVALE, F.C.A.
Provincial Auditor

STATEMENT OF SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1970
(with comparative figures for 1969)

	1970	1969
Surplus as at January 1	\$ 44,010,372	\$ 38,352,757
Add:		
Net profit for the year ended December 31, Statement C	5,742,717	6,756,310
Adjustments applicable to acquired assets, net	1,046	14,132
	<u>\$ 49,754,135</u>	<u>\$ 45,123,199</u>
Deduct:		
Payment to Provincial Treasurer, Alberta Government Telephones Act, Section 14 (1)	\$ 1,000,000	\$ 1,000,000
Cost of integration of mutual telephone companies	209,110	112,827
	<u>\$ 1,209,110</u>	<u>\$ 1,112,827</u>
Surplus as at December 31	<u><u>\$ 48,545,025</u></u>	<u><u>\$ 44,010,372</u></u>

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1970

(with comparative figures for 1969)

	1970	1969
Operating revenues:		
Toll	\$ 70,640,473	\$ 62,865,148
Exchange	35,244,159	32,149,350
Other (Note 4)	5,093,383	4,418,514
	<u>\$ 110,978,015</u>	<u>\$ 99,433,012</u>
Less:		
Provision for uncollectible operating revenues	1,071,322	585,326
	<u>\$ 109,906,693</u>	<u>\$ 98,847,686</u>
Operating expenses:		
Maintenance	\$ 20,911,445	\$ 18,194,012
Depreciation	28,943,236	25,819,813
Traffic	8,839,052	8,023,759
Commercial and Marketing	7,331,189	6,218,456
General and Administration	14,060,526	12,837,499
Pension fund and Canada Pension Plan contributions	2,494,410	2,184,987
Property taxes	2,230,174	1,952,510
	<u>\$ 84,810,032</u>	<u>\$ 75,231,036</u>
Operating income before debt service charges	\$ 25,096,661	\$ 23,616,650
Debt service charges, net (Note 5)	19,111,197	16,633,632
Net income from telephone operations	\$ 5,985,464	\$ 6,983,018
Other charges:		
Net operating costs of Radio Station CKUA	242,747	226,708
Net profit for the year ended December 31	<u>\$ 5,742,717</u>	<u>\$ 6,756,310</u>

STATEMENT OF NET LONG TERM DEBT AS AT DECEMBER 31, 1970

Date of Issue	Maturity Date	Interest Rate	Currency	(A) Original Issue or Advance	Amount Outstanding	Deduct: Sinking Fund Assets	Net Long Term Debt
(A) Debentures payable:							
December 3, 1970	December 3, 1973	7¾%	Canadian	\$ 20,000,000	\$ 20,000,000	\$ —	\$ 20,000,000
September 15, 1969	September 15, 1974	8	Canadian	15,000,000	15,000,000	306,683	14,693,317
May 2, 1966	May 2, 1976	5½	Canadian	8,000,000	8,000,000	—	8,000,000
July 2, 1958	July 2, 1978	4¼	Canadian	18,000,000	18,000,000	7,823,283	10,176,717
September 1, 1959	September 1, 1979	4¾	United States	10,000,000	5,916,000	—	5,916,000
August 1, 1961	August 1, 1981	5¼	Canadian	12,000,000	12,000,000	3,058,683	8,941,317
March 1, 1960	March 1, 1985	5½	United States	22,000,000	15,866,000	—	15,866,000
April 15, 1965	April 15, 1985	5¼	Canadian	10,000,000	10,000,000	1,208,779	8,791,221
January 15, 1963	January 15, 1988	4½	United States	20,000,000	16,903,000	—	16,903,000
October 15, 1964	October 15, 1989	4¾	United States	25,000,000	25,000,000	3,914,947	21,085,053
March 1, 1970	March 1, 1990	9	Canadian	15,000,000	15,000,000	—	15,000,000
August 15, 1965	August 15, 1990	4¾	United States	25,000,000	25,000,000	3,193,846	21,806,154
September 1, 1970	September 1, 1990	8¼	Canadian	20,000,000	20,000,000	—	20,000,000
August 15, 1966	August 15, 1991	6	Canadian	25,000,000	25,000,000	2,287,696	22,712,304
December 15, 1966	December 15, 1991	6	United States	11,000,000	11,000,000	1,062,580	9,937,420
April 15, 1967	April 15, 1992	6	Canadian	25,000,000	25,000,000	1,696,124	23,303,876
October 1, 1967	October 1, 1992	6¼	United States	35,000,000	35,000,000	—	35,000,000
August 1, 1968	August 1, 1993	7¾	United States	30,000,000	30,000,000	—	30,000,000
June 15, 1969	June 15, 1994	8	United States	30,000,000	30,000,000	—	30,000,000
January 15, 1970	January 15, 1995	9½	United States	20,000,000	20,000,000	—	20,000,000
				<u>\$ 396,000,000</u>	<u>\$ 382,685,000</u>	<u>\$ 24,552,621</u>	<u>\$ 358,132,379</u>
(B) Advances from the Provincial Treasurer:							
December 1, 1950	December 1, 1975	3 %	Canadian	\$ 2,000,000	\$ 526,987		\$ 526,987
December 1, 1951	December 1, 1976	3	Canadian	5,000,000	1,558,230		1,558,230
October 1, 1952	December 1, 1977	3	Canadian	7,000,000	2,508,700		2,508,700
November 1, 1953	December 1, 1978	3½	Canadian	8,000,000	3,343,391		3,343,391
November 1, 1954	December 1, 1979	3½	Canadian	8,000,000	3,699,773		3,699,773
June 1, 1950	June 1, 1980	3	Canadian	16,560,142	6,907,509		6,907,509
January 1, 1956	December 1, 1980	3½	Canadian	7,000,000	3,538,501		3,538,501
January 1, 1957	December 1, 1981	3½	Canadian	10,000,000	5,470,613		5,470,613
November 1, 1957	December 1, 1982	4½	Canadian	10,000,000	6,163,703		6,163,703
				<u>\$ 73,560,142</u>	<u>\$ 33,717,407</u>		<u>\$ 33,717,407</u>
				<u>\$ 469,560,142</u>	<u>\$ 416,402,407</u>	<u>\$ 24,552,621</u>	<u>\$ 391,849,786</u>

(A) See Note 1 to the Financial Statements

(B) See Note 2 to the Financial Statements

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1970

(with comparative figures for 1969)

	1970	1969
Source of Funds:		
Operations:		
Net profit, Statement C	\$ 5,742,717	\$ 6,756,310
Depreciation and other expenses not requiring an outlay of funds	30,317,389	27,010,332
	<u>\$ 36,060,106</u>	<u>\$ 33,766,642</u>
Proceeds from debenture issues	81,585,938	50,026,609
	<u>\$ 117,646,044</u>	<u>\$ 83,793,251</u>
Application of Funds:		
Additions to telephone property	\$ 87,648,997	\$ 67,011,066
Retirement of long term debt	16,866,594	24,439,890
Payment to Provincial Treasurer	1,000,000	1,000,000
Deferred charges	1,059,676	1,198,327
Investment in Telesat Canada	933,000	—
Integration of mutual telephone companies	209,110	112,827
	<u>\$ 107,717,377</u>	<u>\$ 93,762,110</u>
Increase (decrease) in working capital	<u>\$ 9,928,667</u>	<u>\$ (9,968,859)</u>

PENSION AND DEATH BENEFIT FUND

BALANCE SHEET AS AT DECEMBER 31, 1970

(with comparative figures as at December 31, 1969)

ASSETS

	1970	1969
Current:		
Cash on hand and in bank	\$ 366,116	\$ 157,746
Short term deposit receipt	1,200,000	225,000
Contributions receivable	423,790	376,980
Dividends receivable	7,034	3,108
Accrued interest	557,307	463,910
	<u>\$ 2,554,247</u>	<u>\$ 1,226,744</u>
Investments:		
Bonds and debentures, at par value (Note 7)	\$35,682,100	\$31,824,400
National Housing Act mortgages	1,494,458	1,216,161
Shares, at cost (Note 8)	4,072,599	3,764,738
	<u>\$41,249,157</u>	<u>\$36,805,299</u>
	<u><u>\$43,803,404</u></u>	<u><u>\$38,032,043</u></u>

LIABILITIES

Current:		
Accounts payable	\$ 26,121	\$ 3,857
Pension and Death Benefit Fund Reserve:		
Employees' accounts	\$12,907,770	\$10,995,237
Employer's account	30,869,513	27,032,949
	<u>\$43,777,283</u>	<u>\$38,028,186</u>
	<u><u>\$43,803,404</u></u>	<u><u>\$38,032,043</u></u>

This is the Balance Sheet referred to my report of March 11, 1971, addressed to the Alberta Government Telephones Commission.



C. K. HUCKVALE, F.C.A.
Provincial Auditor.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1970

(with comparative figures for 1969)

	Employees' Accounts	Employer's Account	1970 Total	1969 Total
Pension and Death Benefit Fund Reserve as at January 1	\$10,995,237	\$27,032,949	\$38,028,186	\$33,016,037
Add:				
Contributions	1,971,029	3,082,317	5,053,346	4,273,877
Earnings (Note 9)	446,592	1,472,460	1,919,052	1,951,555
Transfers in respect of employees retiring on pension	(90,978)	90,978	—	—
	<u>\$13,321,880</u>	<u>\$31,678,704</u>	<u>\$45,000,584</u>	<u>\$39,241,469</u>
Deduct:				
Pension payments	\$ —	\$ 734,840	\$ 734,840	\$ 700,830
Withdrawals	413,686	—	413,686	431,845
Contributions and earnings transferred to other pension authorities, net	424	424	848	18,334
Administration expense	—	73,927	73,927	62,274
	<u>\$ 414,110</u>	<u>\$ 809,191</u>	<u>\$ 1,223,301</u>	<u>\$ 1,213,283</u>
Pension and Death Benefit Fund Reserve as at December 31	<u>\$12,907,770</u>	<u>\$30,869,513</u>	<u>\$43,777,283</u>	<u>\$38,028,186</u>

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1970

Note 1—Debentures payable are unconditionally guaranteed as to principal and interest by the Government of the Province of Alberta. Issues repayable in United States currency are recorded on the basis that a U.S. dollar equals a Canadian dollar. Sinking fund payments and redemptions due in the year ending December 31, 1971, amount to Canadian \$2,360,000 and United States \$2,295,000.

Note 2—Advances from the Provincial Treasurer are repayable on a semi-annual basis. Repayments due in the year ending December 31, 1971, amount to \$3,145,301.

Note 3—Unamortized exchange, net, on United States funds represents exchange, net, received on conversion of the proceeds of debenture issues, deferred to offset anticipated exchange costs at maturity. The adequacy of this item cannot be determined as at this date.

Note 4—Other operating revenues include:

	1970	1969
Rental revenue	\$ 2,411,517	\$ 2,274,317
Directory advertising and sales ..	2,511,194	1,985,583
Other	170,672	158,614
	<u>\$ 5,093,383</u>	<u>\$ 4,418,514</u>

Note 5—Debt service charges, net, include:

	1970	1969
Interest and exchange on long term debt	\$23,641,983	\$19,214,988
Amortization of discount, net	310,694	196,094
Exchange on debt redemption ...	41,898	134,549
Other charges	20,000	20,000
	<u>\$24,014,575</u>	<u>\$19,565,631</u>
Less:		
Interest earnings, net	\$ 1,344,978	\$ 667,735
Sinking fund earnings	1,468,479	1,065,007
Interest capitalized during construction	1,861,921	964,299
Gains on redemption	228,000	234,958
	<u>\$ 4,903,378</u>	<u>\$ 2,931,999</u>
	<u>\$19,111,197</u>	<u>\$16,633,632</u>

Note 6—The Alberta Government Telephones Commission has the following estimated commitments which were not reflected in the Balance Sheet as at December 31, 1970:

In respect of equipment for future delivery ...	\$17,208,000
In respect of uncompleted contracts	15,544,000
In respect of purchase of common shares in Telesat Canada	1,867,000

Note 7—Bonds and debentures, at par value, consist of:

	December 31	
	1970	1969
Government of Canada, direct and guaranteed	\$ 1,873,000	\$ 4,876,000
Provincial, direct and guaranteed ..	11,194,000	11,159,000
Municipal and School District ...	4,024,000	4,087,000
Corporation	18,591,100	11,702,400
	<u>\$35,682,100</u>	<u>\$31,824,400</u>
Approximate market value	<u>\$31,285,200</u>	<u>\$24,294,500</u>

Note 8—Shares, at cost, consist of:

	December 31	
	1970	1969
Common	\$ 3,406,453	\$ 3,114,926
Preferred	600,156	585,822
Warrants	65,990	63,990
	<u>\$ 4,072,599</u>	<u>\$ 3,764,738</u>
Approximate market value	<u>\$ 4,061,390</u>	<u>\$ 3,775,200</u>

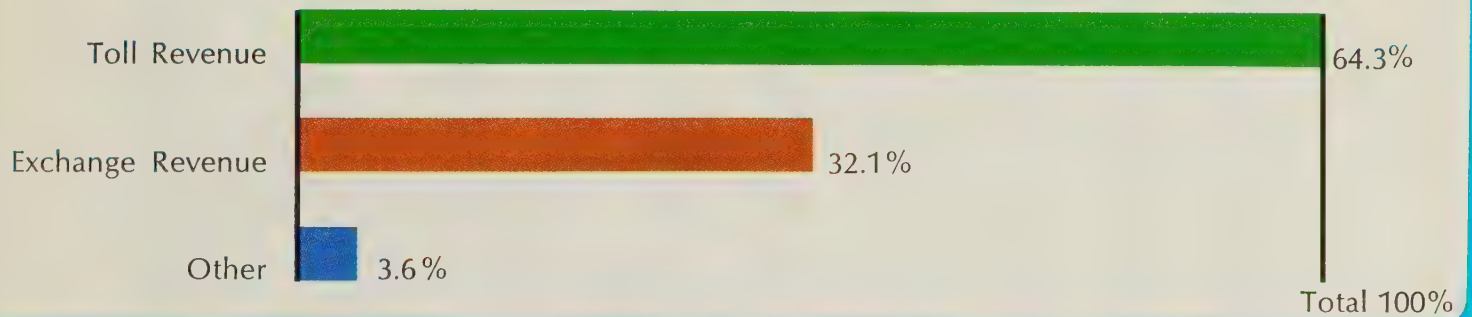
Note 9—1970 earnings were reduced by a loss of \$619,589 on the sale of low interest bearing bonds. Proceeds from the sale were reinvested in higher yield securities.

Note 10—An actuarial survey as at December 31, 1969, indicated that the Fund as constituted would be sufficient to meet all future requirements.

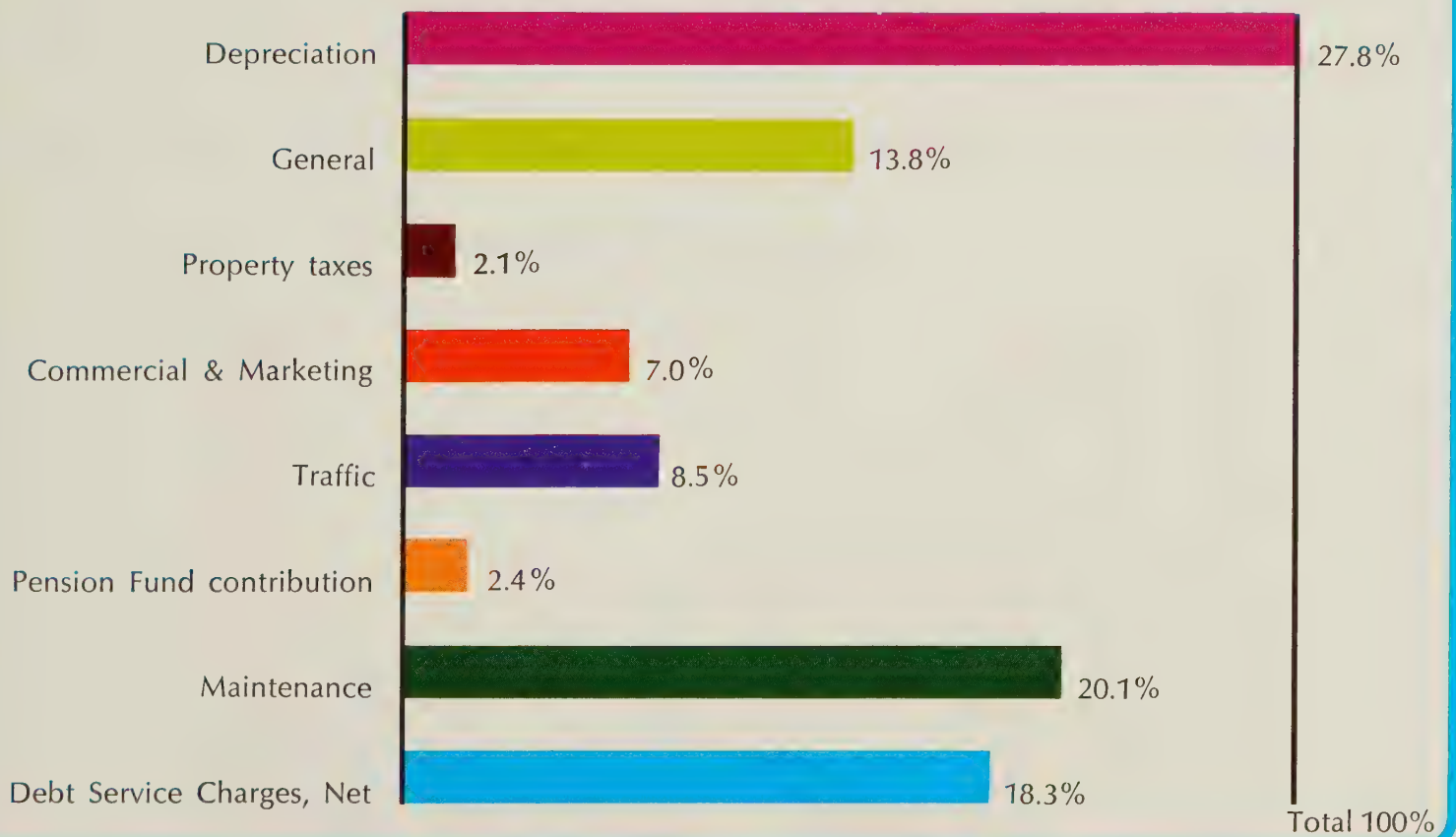
Note 11—The Pension and Death Benefit Fund has the following commitments which were not reflected in the Balance Sheet as at December 31, 1970:

In respect of securities for future delivery ...	\$ 756,394
In respect of mortgage funds to be advanced ..	4,045,064

OPERATING REVENUE

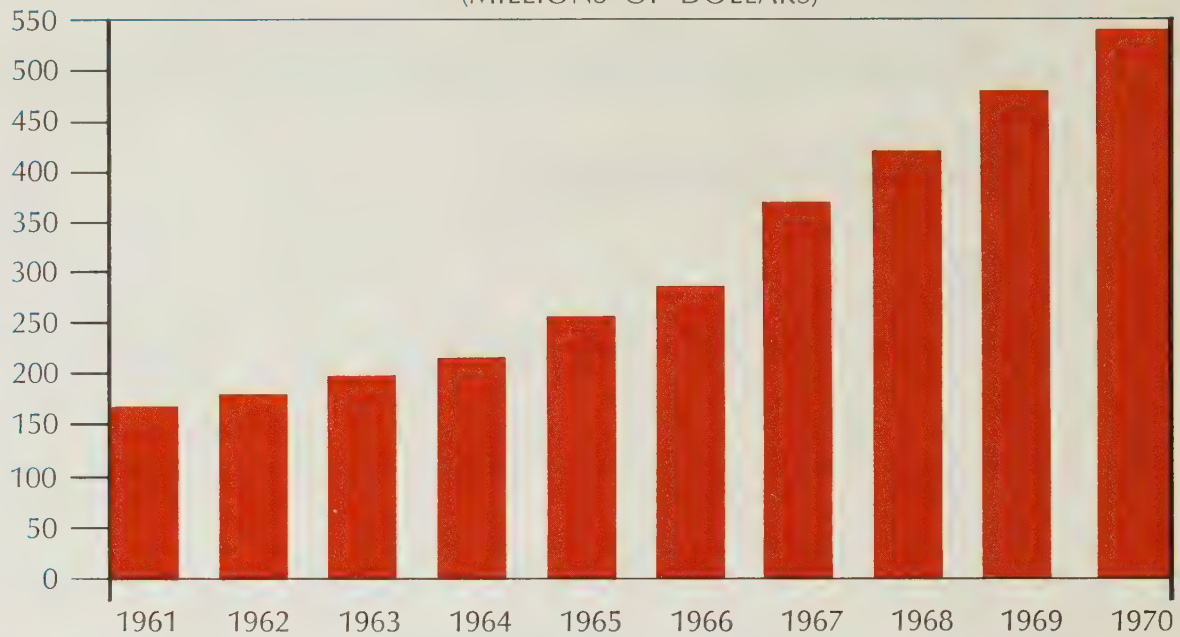


OPERATING EXPENSES



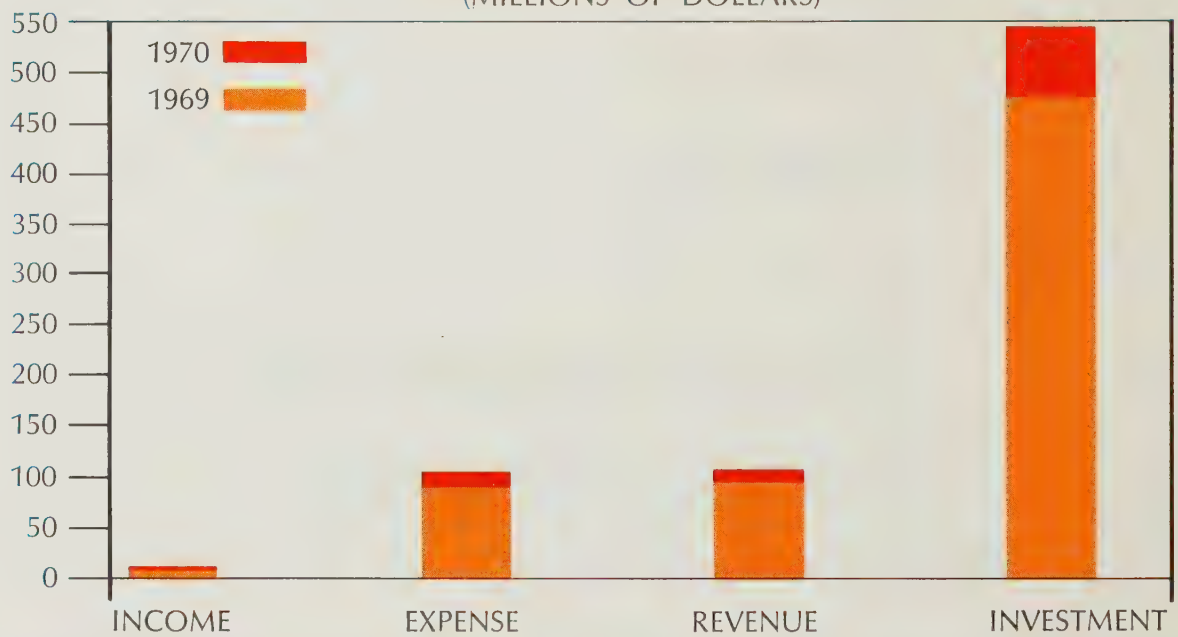
TOTAL PLANT INVESTMENT AS AT DECEMBER 31

(MILLIONS OF DOLLARS)



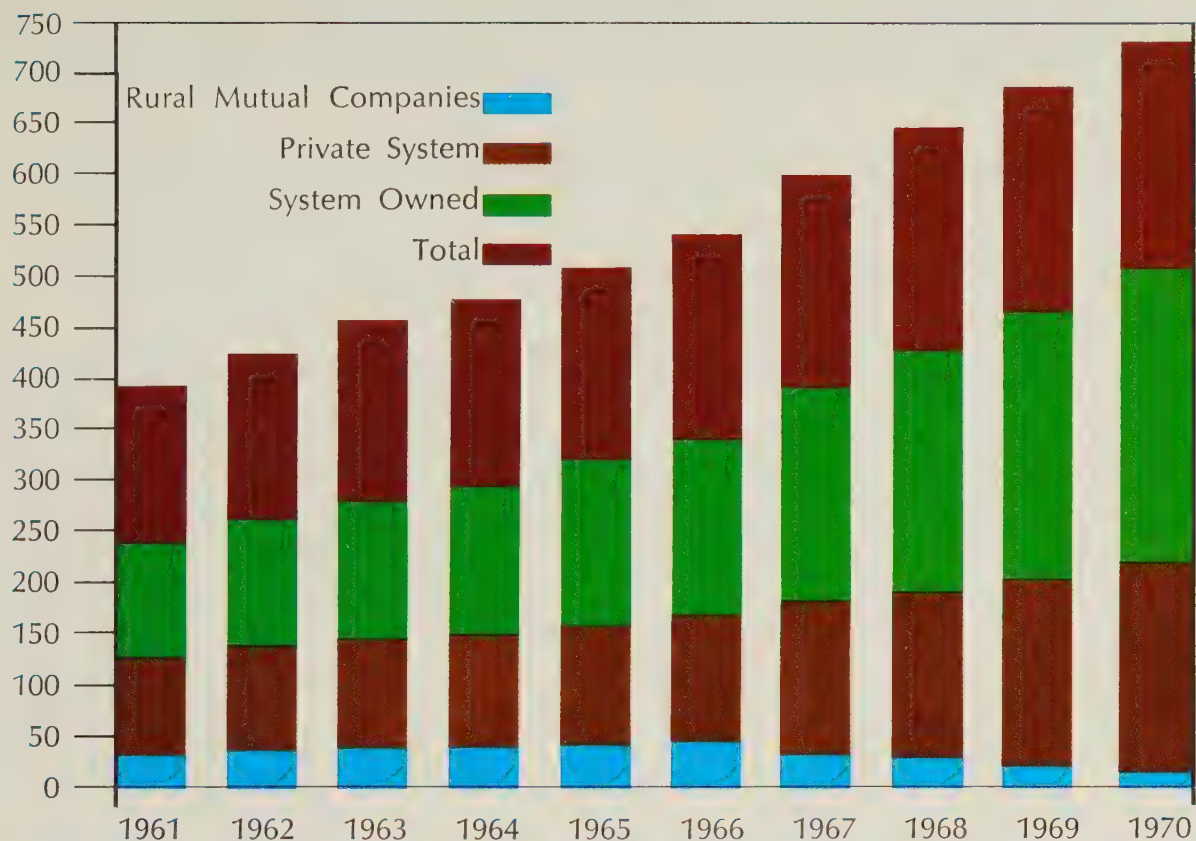
FINANCIAL PERFORMANCE

(MILLIONS OF DOLLARS)



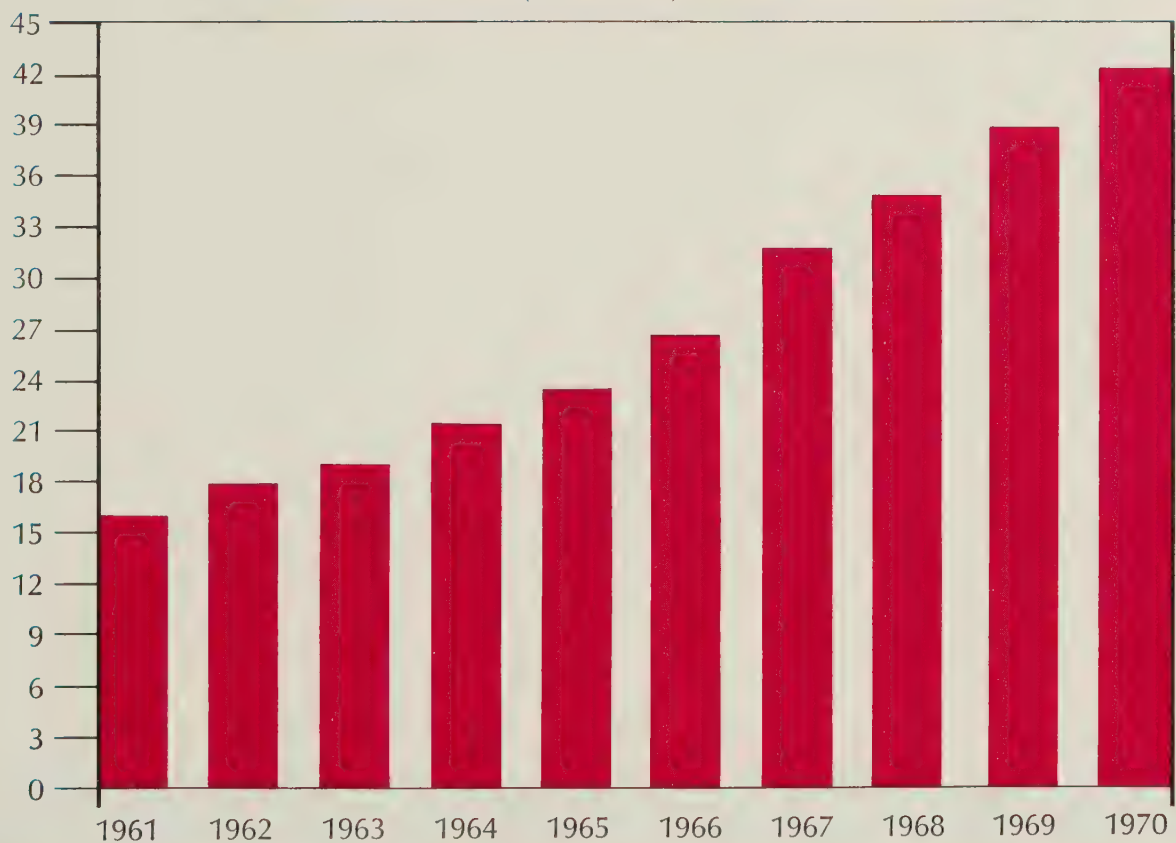
DISTRIBUTION OF TELEPHONES IN ALBERTA AS AT DECEMBER 31, 1970

(THOUSANDS)



NUMBER OF LONG DISTANCE MESSAGES

(MILLIONS)



ALBERTA GOVERNMENT TELEPHONES STATISTICS

	1970	1969	1968	1967
NUMBER OF TELEPHONES				
System Owned	508,244	468,371	431,075	393,48
Rural Mutual Company	21,004	24,991	28,369	31,53
Private System	218,247	204,265	190,475	177,89
Total	747,495	697,627	649,919	602,92
Percent Dial Telephones	99.6%	99.5%	99.4%	98.1%
TELEPHONE MOVEMENT				
Connected	178,123	143,782	140,888	103,58
Disconnected	138,250	106,486	103,302	74,51
Increase	39,873	37,296	37,586	29,00
NUMBER OF EXCHANGES	356	331	337	34
NUMBER OF TOLL OFFICES	47	47	52	8
LONG DISTANCE MESSAGES	43,536,765	38,833,822	35,106,114	32,251,03
TOTAL PLANT INVESTMENT	547,102,502	476,406,341	420,508,342	376,720,13
TOTAL REVENUES	109,906,693	98,847,686	86,755,471	75,760,44
TOTAL EXPENSES	104,163,976	92,091,376	82,736,367	75,842,72
NET INCOME (Loss)	5,742,717	6,756,310	4,019,104	(82,27
TOTAL EMPLOYEES	6,999	6,791	6,360	6,49
TOTAL PAYROLL	52,588,623	46,003,157	39,203,373	36,908,69

NOTE: 1962 to 1966 inclusive are as at March 31
1966* is for 9 months — April to December
1967 to 1970 inclusive are as at December 31

1966*	1966	1965	1964	1963	1962
364,425	340,264	318,282	297,086	278,598	260,080
34,294	39,349	38,418	36,910	35,185	33,121
178,432	169,648	158,809	148,568	147,850	138,324
577,151	549,261	515,509	482,564	461,633	431,525
96.6%	95.8%	93.8%	91.1%	89.0%	86.4%
110,078	83,542	103,742	99,195	91,703	61,420
85,917	61,560	82,546	80,707	73,185	42,224
24,161	21,982	21,196	18,488	18,518	19,196
357	364	370	376	396	407
98	109	120	136	144	155
23,185,514	27,495,279	24,316,067	21,827,542	19,319,050	18,004,331
24,787,269	293,463,001	253,464,690	223,832,041	200,712,715	182,252,321
47,325,404	55,241,366	47,943,244	42,863,403	37,916,352	34,396,984
51,318,069	56,717,592	47,736,928	41,741,659	35,892,229	31,004,540
(3,992,665)	(1,476,226)	206,316	1,121,744	2,024,123	3,392,444
6,513	5,949	5,159	4,731	4,103	3,787
24,635,840	27,136,387	22,804,487	20,015,451	17,343,875	15,602,213

Towering 441 feet above street level, AGT's new Head Office Building has become a distinctive Edmonton landmark. When completed it will be the tallest office building west of Toronto.

AGT's new \$7,000,000 Toll Building in downtown Edmonton stands as high as an ordinary 20-storey structure. The #4-A Crossbar switching machine and ancillary equipment being installed will cost \$16,000,000. This new toll office will provide long distance service to approximately 70 Community Dial Offices — more than any other toll center in Canada.





Over 19,000,000 of the system's almost 43,000,000 completed long distance messages were handled by charming AGT traffic operators like these.



ERRATA

Page 3—**LONG DISTANCE INCREASE:** The total Operator handled and Customer dialed long distance messages shown as 43,536,765 should read 42,915,798.

Page 18—**FINANCIAL PERFORMANCE GRAPH:** The colors indicating **INCOME** Totals for 1969 and 1970 are reversed.



AGT, part of



Trans-Canada Telephone System